Office of Inspector General

U.S. Consumer Product Safety Commission

Audit of the CPSC's Financial Statements for FY 2018

November 7, 2018

Vision Statement

We are agents of positive change striving for continuous improvements in our agency's management and program operations as well as within the OIG.

Statement of Principles

We will:

Work with the Commission and the Congress to improve program management;

Maximize the positive impact and ensure the independence and objectivity of our audits, investigations, and other reviews;

Use our investigations and other reviews to increase Government integrity and recommend improved systems to prevent fraud, waste, and abuse;

Be innovative, question existing procedures, and suggest improvements;

Build relationships with program managers based on a shared commitment to improving program operations and effectiveness;

Strive to continually improve the quality and usefulness of our products; and

Work together to address Government-wide issues.

Office of Inspector General
U. S. CONSUMER PRODUCT SAFETY COMMISSION

November 7, 2018

TO: Ann Marie Buerkle, Acting Chairman
Robert S. Adler, Commissioner
Elliot F. Kaye, Commissioner
Dana Baiocco, Commissioner
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2018 Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by CliftonLarsonAllen, LLP (CLA), for the fiscal year ending September 30, 2018. The audit was performed under a contract with, and monitored by, the Office of Inspector General (OIG), in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 19-01, Audit Requirements for Federal Financial Statements.

Opinion on the Financial Statements

CLA audited the financial statements of the U.S. Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2018 and 2017, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements (financial statements). The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, CLA also considered the CPSC's internal control over financial reporting and tested the CPSC's compliance with certain provisions of applicable laws and regulations that could have a material effect on its financial statements.

In CLA's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the years ending September 30, 2018 and 2017, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

In planning and performing the audit of the financial statements of the CPSC, CLA considered the CPSC's internal control over financial reporting (internal control) as a basis for designing auditing procedures for the purpose of expressing their opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control. Accordingly, CLA did not express an opinion on the effectiveness of the CPSC's internal control.

Because of inherent limitations in internal controls, including the possibility of management override of controls; misstatements, losses, or noncompliance may nevertheless occur and not be detected. According to the American Institute of Certified Public Accountants:

- A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A material weakness is deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

- A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

CLA's consideration of internal control was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. CLA did not identify deficiencies in internal control that CLA would consider to be a material weakness, as defined above. However, material weaknesses may exist that have not been identified.

Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether the CPSC's financial statements are free of material misstatements, CLA performed tests of compliance with certain provisions of laws and regulations, noncompliance which could have material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 19-01. CLA did not test compliance with all laws and regulations applicable to the CPSC.

CLA's tests of compliance with laws and regulations described in the audit report disclosed one instance of noncompliance that is required to be reported in accordance with Government Auditing Standards and OMB Bulletin 19-01.

This instance involved the CPSC's noncompliance with the Improper Payments Elimination and Recovery Act (IPERA) in FY 2017 and was first reported in the OIG's Review of the CPSC's Compliance with IPERA for FY 2017.

The determination that the CPSC was not in compliance with IPERA in FY 2017 was based on the following three factors. First, the CPSC risk assessment process did not always attribute risk in a reasonable manner. Consequently, the CPSC was exposed to potential improper payments. Second, the CPSC did not obtain a statistically valid improper payment estimate for non-payroll activities consistent with the requirements of OMB M-15-02. Finally, the CPSC exceeded OMB's improper payment threshold of 10 percent by reporting an improper payment rate of 67 percent of non-payroll disbursements (about $21.1 of $31.3 million.) OMB M-15-02 requires agencies to report a "gross improper payment rate of less than 10 percent . . ." It should be noted that the vast majority of these payments were improper because the individuals authorizing the payments lacked the legal authority to do so, not necessarily because the payments were fraudulent or wasteful.

The status of the CPSC's compliance with IPERA in FY 2018 is outside of the scope of the FY 2018 Financial Statement Audit conducted by CLA. As such, neither CPSC OIG nor CLA formally evaluated the CPSC's compliance with IPERA for FY 2018 and neither CLA nor CPSC OIG offers a formal opinion regarding same.

The CPSC's FY 2018 AFR states the CPSC determined that in FY 2018 there were payment activities that met the definition of "significant improper payment" and acknowledges that there were $29.1 million in improper payments made in its Non-Payroll program. The CPSC attributes the vast majority of these payments to administrative processing errors related to insufficient documentation in the agency's receipt and acceptance process.

The statutorily required IPERA review covering FY 2018 will be completed in May FY 2019. This office will issue a formal opinion regarding the CPSC's compliance with IPERA at that time.

OIG Evaluation of CliftonLarsonAllen's Audit Performance

We reviewed CLA's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards, was not intended to enable the OIG to express, and we do not express an opinion on the CPSC's financial statements; nor do we provide conclusions about the effectiveness of internal control or conclusions on CPSC's compliance with laws and regulations. CLA is responsible for the attached auditor's report. However, the OIG review disclosed no instances where CLA did not comply, in all material respects, with Government Auditing Standards.

We appreciate the courtesies and cooperation extended to CLA and the OIG staff during the audit. If you should have any questions concerning this report, please contact my office on (301) 504-7501.

Attached: Audit Report
Financial Statements as shown in the agency's Annual Financial Report

CliftonLarsonAllen LLP

www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Inspector General
United States Consumer Product Safety Commission

Chairman
United States Consumer Product Safety Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Consumer Product Safety Commission (Commission), which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of net cost, changes in net position, the combined statements of budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

Commission management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 19-01*, Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-01). Those standards and OMB Bulletin 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Consumer Product Safety Commission as of September 30, 2018 and 2017, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the U.S. require that the information in the Commission's Management Discussion and Analysis (MD&A) and other Required Supplementary Information (RSI) section (i.e. the Combining Statement of Budgetary Resources by Fund), be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Message from the Chairman, the Message from the Chief Financial Officer, Other Information and Appendices are presented for purposes of additional analysis and is not a required part of the financial statements. In addition, management has included references to information on websites or other data outside of the Agency Financial Report. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control or on management's assertion on internal control included in the MD&A.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance with Laws, Regulations, Contracts and Grant Agreements

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that is required to be reported in accordance with *Government Auditing Standards* and OMB Bulletin 19-01, summarized as follows:

> The *Review of the CPSC's Compliance with Improper Payments Elimination and Recovery Act* (IPERA program) *for Fiscal Year 2017,* issued by the Commission's Office of Inspector General (OIG) included three findings of non-compliance. The findings were related to: (1) risk assessment process could be improved; (2) exceeded Federal Improper Payment Rate; and (3) lack of a statistically valid estimate for non-payroll activities. In fiscal year 2018, the CPSC reported all of the OIG's recommendations to correct the underlying conditions were implemented. The improper payments were caused by insufficient documentation of invoice approval delegations. There was no monetary loss to the taxpayer.
>
> The *Review of Vendor Payments in 2017*, issued by the OIG reported insufficient documentation in the agency's receipt and acceptance process. In fiscal year 2018, the CPSC reported that all of the OIG's recommendations to remedy the insufficient documentation issues were implemented prior to September 30, 2018.

Management's Responsibility for Internal Control and Compliance

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers' Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, and (3) complying with other applicable laws, regulations, contracts and grant agreements.

Auditors' Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Commission. We limited our tests to certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and on Compliance

The purpose of the Report on Internal Control over Financial Reporting and on Compliance is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 7, 2018

Financial Statements

U.S. Consumer Product Safety Commission
Balance Sheets
As of September 30, 2018 and 2017
(in dollars)

	FY 2018	FY 2017
Assets		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	$ 35,564,193	$ 39,857,992
Accounts Receivable (Note 3)	214,719	197,546
Advances to Other Federal Agency (Note 5)	1,234,277	1,147,007
Tenant Improvement Allowance (Note 6)	-	545,140
Total Intragovernmental	37,013,189	41,747,685
Accounts Receivable (Note 3)	33,746	82,570
Property and Equipment, Net (Note 4)	9,699,029	12,956,740
Other	-	443
Total Assets	$ 46,745,964	$ 54,787,438
Liabilities		
Intragovernmental		
Accounts Payable	$ 1,716,072	$ 1,457,142
Employee Benefits (Note 7)	635,072	630,085
Workers' Compensation (Note 8)	642,029	591,683
Tenant Improvement Liability (Note 10)	1,481,565	2,467,923
Custodial Liability (Note 9)	33,746	82,397
Total Intragovernmental	4,508,484	5,229,230
Accounts Payable and Others	2,776,783	1,594,607
Salaries and Benefits	2,347,513	2,396,346
Accrued Annual Leave (Note 8)	5,060,281	4,936,026
Workers' Compensation Actuarial (Note 8)	2,938,964	2,964,191
Total Liabilities	17,632,025	17,120,400
Net Position		
Unexpended Appropriations	29,518,797	35,105,855
Cumulative Results of Operations (Note 12)	(404,858)	2,561,183
Total Net Position	29,113,939	37,667,038
Total Liabilities and Net Position	$ 46,745,964	$ 54,787,438

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Net Cost
For the Periods ended September 30, 2018 and 2017
(in dollars)

		FY 2018	FY 2017
Net Cost By Goal			
Goal 1-	**Workforce**		
	Gross Cost	$ 8,734,541	$ 9,433,959
	Less: Earned Revenue	-	-
	Net Cost Goal 1	8,734,541	9,433,959
Goal 2-	**Prevention**		
	Gross Cost	88,872,033	86,645,835
	Less: Earned Revenue	(2,545,942)	(3,041,335)
	Net Cost Goal 2	86,326,091	83,604,500
Goal 3-	**Response**		
	Gross Cost	31,381,508	27,235,896
	Less: Earned Revenue	-	-
	Net Cost Goal 3	31,381,508	27,235,896
Goal 4-	**Communication**		
	Gross Cost	10,954,744	9,918,538
	Less: Earned Revenue	-	-
	Net Cost Goal 4	10,954,744	9,918,538
Total Net Cost of Operations (Note 15)		$ 137,396,884	$ 130,192,893

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Changes in Net Position
For the Periods ended September 30, 2018 and 2017
(in dollars)

	FY 2018	FY 2017
Unexpended Appropriations		
Beginning Balance	$ 35,105,855	$ 35,591,745
Budgetary Financing Sources		
Appropriations Received	126,000,000	126,000,000
Other Adjustments	(1,864,520)	(2,840,111)
Appropriations Used	(129,722,538)	(123,645,779)
Total Budgetary Financing Sources	(5,587,058)	(485,890)
Total Unexpended Appropriations	29,518,797	35,105,855
Cumulative Results of Operations		
Beginning Balances	$ 2,561,183	$ 5,721,845
Budgetary Financing sources		
Appropriations Used	129,722,538	123,645,779
Other Financing Sources (Non-Exchange)		
Imputed Financing (Note 7)	4,708,305	3,386,452
Total Financing Sources	134,430,843	127,032,231
Net Cost of Operations	(137,396,884)	(130,192,893)
Net Change	(2,966,041)	(3,160,662)
Cumulative Results of Operations	(404,858)	2,561,183
Net Position	$ 29,113,939	$ 37,667,038

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Budgetary Resources
For the Periods ended September 30, 2018 and 2017
(in dollars)

	FY 2018	FY 2017
Budgetary Resources		
Unobligated balance from prior year budget authority, net	$ 5,461,467	$ 6,302,371
Appropriations	126,000,000	126,000,000
Spending authority from offsetting collections	2,919,555	3,039,652
Total Budgetary Resources (Note 13)	134,381,022	135,342,023
Memorandum (non-add) Entries:		
Net Adjustments to unobligated balances brought forward, October 1 (Note 13)	(1,158,539)	(1,261,853)
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Note 13)	129,130,312	128,722,017
Unobligated balance, end of year:		
Apportioned, unexpired	1,657,695	1,591,529
Unapportioned, unexpired	18,953	18,953
Expired Unobligated Balance, end of year	3,574,062	5,009,524
Total unobligated balance, end of year	5,250,710	6,620,006
Total Status of Budgetary Resources	134,381,022	135,342,023
Outlays, Net		
Outlays, net	128,429,278	125,533,085
Distributed offsetting receipts	(11,633)	(6,981)
Agency Outlays, net	$ 128,417,645	$ 125,526,104

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Custodial Activity
For the Periods ended September 30, 2018 and 2017
(in dollars)

	FY2018	FY 2017
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous:		
Civil Penalties & Fines	$ 27,299,100	$ 29,549,100
FOIA and Miscellaneous	11,633	6,981
Total Cash Collections	27,310,733	29,556,081
Accrual Adjustments	(48,651)	(3,949,192)
Total Custodial Revenue	27,262,082	25,606,889
Disposition of Collections:		
Transferred to Others:		
Treasury General Fund	27,310,733	29,556,081
Amounts Yet to be Transferred	(48,651)	(3,949,192)
Total Disposition of Collections	27,262,082	25,606,889
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the U.S. Consumer Product Safety Commission (CPSC), an independent federal regulatory agency with a mission to save lives and keep families safe by reducing the risk of injuries and deaths associated with consumer products. The CPSC was created in 1972 by Congress under the Consumer Product Safety Act and began operating in 1973. The agency is headed by five Commissioners nominated by the President and confirmed by the Senate for staggered seven-year terms. The President designates one of the Commissioners as Chairman who is the agency head. The Consumer Product Safety Act (as amended) authorizes the CPSC to:

- Develop voluntary standards
- Issue and enforce mandatory standards
- Obtain recall of products or arrange for their repair
- Conduct research on potential product hazards
- Inform and educate consumers
- Respond to industry and consumer inquiries

Fund Accounting Structure

The CPSC's financial activities are accounted for by federal account symbol. They include the accounts for appropriated funds and other fund groups described below for which the CPSC maintains financial records.

General Funds: These funds consist of salaries and expense appropriation accounts used to fund agency operations and capital expenditures.

Miscellaneous Receipt Accounts: The CPSC collects civil penalties, FOIA fees and other miscellaneous receipts, which by law are not retained by the CPSC. The U.S. Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the U.S. Treasury at the end of each fiscal year.

Gifts and Donations Receipt Account: U.S.C. Title 15, Chapter 47, section 2076, paragraph (b) (6), authorizes the CPSC "to accept gifts and voluntary and uncompensated services." The CPSC occasionally receives donations from non-government sources in support of the agency's mission.

Budget Authority

Congress enacts appropriations that provide the CPSC with authority to obligate funds for necessary expenses to carry out authorized program activities. The funds appropriated are subject to OMB apportionment. The CPSC's Administrative Control of Funds directive complies with federal budgetary accounting guidelines of OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, Revised (June 2018). This directive places internal restrictions on the apportioned funds by designating the amount, use, and authorized party of any division of the apportioned funds. These restrictions – known as allotments, sub-allotments, and allowances – limit the amounts available so obligations will not exceed the appropriated or apportioned amounts.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis and the budgetary basis of accounting in conformity with the GAAP for the federal government. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The statements were also prepared in conformity with OMB Circular No. A-136, *Financial Reporting Requirements*, as amended.

Assets

Intra-governmental assets are those assets that arise from transactions with other federal entities. Funds with the U.S. Treasury comprise the majority of intra-governmental assets on the CPSC's balance sheet.

Fund Balances with Treasury

The U.S. Department of Treasury (U.S. Treasury) collects and disburses cash on behalf of CPSC. Fund Balances with Treasury consist of appropriated funds and general fund receipt accounts. Appropriated funds are available to pay current liabilities and authorized purchase commitments. General fund receipt accounts are used to record collections made by the CPSC. The U.S. Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the U.S. Treasury at year-end. The CPSC's Fund Balance with U.S. Treasury is carried forward until such time as goods or services are received and payment is made, or until the funds are returned to the U.S. Treasury.

The CPSC's cash receipts and disbursements are processed by the U.S. Treasury. Funds with the U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by the CPSC.

Accounts Receivable and Allowance for Uncollectible Accounts

The CPSC's accounts receivable are classified into two types of accounts. Entity accounts receivables include amounts due from customers for reimbursable agreement, overpayment to vendors and current and former employees. Non-entity accounts receivable are civil monetary penalties resulting from the CPSC's enforcement actions, and for fees billed to fulfill FOIA requests. The CPSC holds these non-entity receivables in a custodial capacity. The CPSC calculates the allowance for uncollectible accounts using an analysis of historical collection data. No allowance for uncollectible amounts or related provisions for estimated losses has been established, as these amounts are fully collectible based on historical experience.

Property and Equipment

Property and equipment consists of equipment, software, furniture, fixtures, other equipment, and leasehold improvements.

Beginning August 2014, equipment and software with a useful life of two or more years are capitalized when the acquisition value is greater than $5,000 and $15,000 respectively. Furniture and fixtures, bulk internal use software purchases, other equipment, and leasehold improvements with an aggregate acquisition cost of $100,000 and a useful life of two or more years are capitalized. The CPSC reports property and equipment purchases and additions at historical costs. The CPSC treats property and equipment acquisitions that do not meet the capitalization criteria as an expense.

The CPSC depreciates property and equipment using the straight-line method of depreciation. Leasehold improvements are amortized over the lesser of the leasehold improvement's useful life or the lease term. The CPSC removes property and equipment from its asset account in the period of disposal, retirement, or removal from service. The CPSC recognizes the difference between the book value and any proceeds as a gain or loss in the period that the asset is removed.

Liabilities

Liabilities represent amounts that are likely to be paid by the CPSC as a result of transactions that have already occurred.

Accounts Payable

Accounts Payable consists of amounts owed by the CPSC to federal agencies and commercial vendors for goods and services received.

Federal Employees Benefits

Liabilities Covered by Budgetary Resources represents liabilities funded by available budgetary resources, which include appropriated funds and reimbursable authority. These liabilities consist of the salaries and wages of the CPSC's employees and the corresponding agency share for the pension, health and life insurance for employees receiving these benefits.

Accrued Annual Leave

A liability for annual leave is accrued as leave is earned and paid when leave is taken. At year-end, the balance in the accrued annual leave account is adjusted to reflect the liability at current pay rates and for leave balances. Sick leave and other types of leave are treated as an expense when the leave is used by the employee.

Employee Health Benefits and Life Insurance

The CPSC employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). The CPSC makes contributions in addition to the employee contributions to each program to pay for current benefits.

Federal Employees' Compensation Act (FECA)

The CPSC records an estimated liability for future worker's compensation claims based on data provided from the Department of Labor (DOL). The CPSC uses the DOL provided data to estimate a FECA actuarial liability that is recorded at year-end. DOL provides CPSC with the actual claim amounts already paid out by DOL for employees.

Contingencies

The CPSC has claims and lawsuits pending against the agency. The CPSC's policy is to include provision in the financial statements for any losses considered probable and estimable. Management believes that losses from certain other claims and lawsuits are reasonably possible but are not material to the fair presentation of the CPSC's financial statements, and provisions for these losses are not included in the financial statements.

Estimates and Assumptions

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Fund Balance with Treasury

CPSC's funds with the U.S. Treasury consist of apportioned and unapportioned funds. The status of these funds as of September 30, 2018 and September 30, 2017 is:

	2018	2017
Unobligated Balance		
Available	$ 1,657,694	$ 1,591,529
Unavailable	3,593,015	5,028,477
Obligated Balance, Not Yet Disbursed	30,313,484	33,237,986
Total Funds with U.S. Treasury	$ 35,564,193	$ 39,857,992

The obligated balance includes accounts payable and undelivered orders, which have reduced unexpended appropriations but do not decrease the cash balance on hand until outlaid.

Note 3 – Accounts Receivable

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided and amounts due from current and former employees. The non-entity receivables include Civil Fines and Penalties and FOIA activities. No allowance for uncollectible amounts or related provision for estimated losses has been established for the CPSC's accounts receivable, as these amounts are fully collectible based on historical experience. The composition of accounts receivable as of September 30, 2018 and September 30, 2017 is:

Accounts Receivable	2018	2017
Entity		
Intra-governmental		
Accounts Receivable - Reimbursable	$ 214,719	$ 197,546
Non-Entity		
Public		
Civil Fines and Penalties	31,435	77,933
Other Receivable	2,311	4,637
Total Non-Entity Accounts Receivable	33,746	82,570
Total Accounts Receivable	$ 248,465	$ 280,116

Note 4 – Property, Plant, and Equipment, Net

The composition of property, plant, and equipment (PPE) as of September 30, 2018 is:

Classes of PPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	$ 23,058,975	$ 19,598,781	$ 3,460,193	6-14
Equipment	20,399,460	15,375,478	5,023,982	5-12
Furniture, Fixture & Other Equipment	2,608,689	2,584,917	23,772	3-5
ADP Software	2,502,966	1,709,492	793,474	5
Construction in Progress	397,607	-	397,607	
Total	$ 48,967,697	$ 39,268,668	$ 9,699,029	

The composition of PPE as of September 30, 2017 is:

Classes of PPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	$ 23,058,975	$ 16,784,837	$ 6,274,138	6-14
Equipment	19,137,308	13,402,858	5,734,450	5-12
Furniture, Fixture & Other Equipment	2,608,689	2,513,494	95,195	3-5
ADP Software	2,039,843	1,428,301	611,542	5
Construction in Progress	241,415	-	241,415	
Total	$ 47,086,230	$ 34,129,490	$ 12,956,740	

Note 5 – Advances to Other Federal Agency

The majority of advances to other federal agencies are for the service contract with National Institute of Standards and Technology (NIST) in support of the CPSC's work with the National Nanotechnology Initiative (NNI). Other advances are for the CPSC's shared services contracts with federal agencies for the accounting operations, payroll and employee transit benefit.

The balance of advances to other federal agencies as of September 30, 2018 and September 30, 2017 is $1,234,277 and $1,147,007, respectively.

Note 6 – Tenant Improvement Allowance (TIA)

The TIA is the amount available for the CPSC to spend on customization of leased properties. The TIA is for the lease contracts with the General Services Administration for the CPSC's Headquarters (HQ) offices located in Bethesda, Maryland and the sample storage facility (SSF) located in Gaithersburg, Maryland. The TIA is reduced upon completion of the work order on the leased property and the amount is capitalized as a leasehold improvement. The composition of the TIA as of September 30, 2018 and September 30, 2017 is:

	2018	2017
Intra-governmental		
Tenant Improvement Allowance - HQ	$ -	$ 514,625
Tenant Improvement Allowance - SSF	-	30,515
Total TIA	$ -	$ 545,140

Note 7 – Federal Employee Benefits

Federal Employee benefits consist of the actuarial portion of future benefits earned by federal employees, but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits. These benefits are administered by the Office of Personnel Management (OPM) and not the CPSC. Since the CPSC does not administer the benefit plans, the CPSC does not recognize any liability on the Balance Sheet for pensions and other retirement benefits. The CPSC does, however, recognize the imputed financing sources/costs related to these benefits on the Net Cost of Operations, and the Statement of Changes in Net Position.

The federal employee retirement benefit costs paid by OPM and imputed to CPSC for the period ended September 30, 2018 and September 30, 2017 is:

	2018	2017
Estimated future pension costs (CSRS/FERS)	$ 1,641,341	$ 970,252
Estimated future postretirement health insurance (FEHB)	3,055,695	2,405,148
Estimated future postretirement life insurance (FEGLI)	11,269	11,052
Total Imputed Costs	$ 4,708,305	$ 3,386,452

The CPSC's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), depending on when they started working for the federal government. FERS and Social Security cover most employees hired after December 31, 1983. Employees who are rehired after a break in service of more than one year and who had five years of federal civilian service prior to 1987 are eligible to participate in the CSRS offset retirement system or may elect to join FERS.

For employees participating in CSRS, CPSC contributes seven percent to their plan. FERS is a three-tiered retirement system consisting of a Basic Benefit Plan, Thrift Savings Plan (TSP), and Social Security Benefits. For the FERS Basic Benefit Plan, CPSC contributes between 11.9 percent and 13.7 percent for regular employees.

The TSP under FERS is a savings plan in which CPSC automatically contributes one percent of base pay and match any employee contributions up to an additional four percent of base pay. For most employees hired after December 31, 1983, CPSC also contributes the employer's matching share for Social Security. The CPSC's contributions are recognized as current operating expenses.

CSRS, FERS, FICA, FEHB, and FEGLI contributions and are shown on the balance sheets as an employee benefits liability. Amounts owed to OPM and Treasury as of September 30, 2018 and September 30, 2017, were $635,072 and $630,085, respectively.

Note 8 – Liabilities Not Covered by Budgetary Resources

The liabilities on the CPSC's balance sheet as of September 30, 2018 and September 30, 2017 include liabilities not covered by budgetary resources. The intra-governmental liabilities are owed to DOL for the Federal Employee's Compensation Act (disability) payments and the General Services Administration (GSA) for the TIA provided as a part of the long-term lease on office facilities. The CPSC also recognizes liabilities for employee annual leave earned but not yet taken and for workers' compensation actuarial liability. CPSC also collects on receivables that are withdrawn to Treasury with no budgetary resource associated. The composition of the liabilities not covered by budgetary resources as of September 30, 2018 and September 30, 2017 is:

Liabilities Not Covered by Budgetary Resources	2018	2017
Intra-governmental		
Worker's Compensation	$ 642,029	$ 591,683
Tenant Improvement Liability	1,481,565	2,467,923
Total Intra-governmental	2,123,595	3,059,606
Accrued Annual Leave	5,060,281	4,936,026
Worker's Compensation Actuarial	2,938,964	2,964,191
Total Liabilities Not Covered by Budgetary Resources	$ 10,122,840	$ 10,959,823
Total Liabilities Covered by Budgetary Resources	7,475,439	6,078,180
Total Liabilities Not Requiring Budgetary Resources (see Note 9)	33,746	82,397
Total Liabilities	$ 17,632,025	$ 17,120,400

Note 9 – Custodial Liability

The CPSC has authority to levy fines and penalties against manufacturers, retailers or distributors who violate the Consumer Product Safety Act (as amended), Federal Hazardous Substance Act, and the Flammable Fabrics Act. Civil penalty collections are deposited in the U.S. Treasury and are not available for the CPSC to use. The CPSC charges a fee for the processing of FOIA requests. FOIA fees are also deposited in the U.S. Treasury and are not available for the CPSC to use. The uncollected civil penalties, FOIA fees and balances in the U.S. Treasury's miscellaneous receipt funds are recognized as a Custodial Liability on the CPSC's Balance Sheet. As of September 30, 2018 and September 30, 2017, the total Custodial Liabilities are $33,746 and $82,397 respectively. The revenue and collection activities are presented in the Statement of Custodial Activities.

Note 10 – Tenant Improvement Liability (TIL)

The composition of TIL as of September 30, 2018 and September 30, 2017 is:

Other Liabilities	2018	2017
Intra-governmental		
Tenant Improvement Liability – HQ	$ 579,525	$ 1,296,253
Tenant Improvement Liability – NPTEC	883,356	1,098,854
Tenant Improvement Liability – SSF	18,684	72,816
Total Tenant Improvement Liability	$ 1,481,565	$ 2,467,923

The unfunded intra-governmental tenant improvement liability (TIL) is payable to GSA over the life of the lease. The CPSC's lease agreements with the GSA are for three facilities in Maryland; the Headquarters (HQ) offices located in Bethesda, the National Product Testing and Evaluation Center (NPTEC) located in Rockville, and the sample storage facility (SSF) located in Gaithersburg. The three leases provided an allowance for customization of the properties. The TIL is amortized over the life of the lease. The TIL is reduced when the amortized amount is billed by GSA and paid by the CPSC.

Note 11 – Operating Leases

The CPSC's lease agreements with the GSA are for three facilities in Maryland; the Headquarters (HQ) offices located in Bethesda, the National Product Testing and Evaluation Center (NPTEC) located in Rockville, and the sample storage facility (SSF) located in Gaithersburg. These operating lease agreements expire between fiscal years 2019 and 2023. Lease costs for the period ended September 30, 2018 and September 30, 2017 amounted to approximately $6,947,583 and $7,135,441 respectively. Estimated future minimum lease payments for the three facilities are:

Fiscal Year	Estimated Future Lease Payments
2019	$ 7,605,167
2020	5,772,439
2021	4,846,432
2022	4,898,434
2023	4,256,646
Total Estimated Future Lease Payments	$ 27,379,118

Note 12 – Cumulative Results of Operations

The cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of the CPSC's cumulative results of operations for the fiscal year ending September 30, 2018 and September 30, 2017 is:

	2018	2017
Investment in leasehold improvements, net	$ 3,460,193	$ 6,274,138
Investment in property and equipment, net	6,238,835	6,682,602

Tenant improvement allowance	-	545,140
Gift fund	18,953	18,953
Other Assets	-	173
Liabilities not covered by budgetary resources	(10,122,839)	(10,959,823)
Cumulative results of operations	$ (404,858)	$ 2,561,183

The CPSC does not hold title to the leased property where the leasehold improvements were made. Upon termination of the lease agreement, the total amount of leasehold improvements and TIA will be charged to operations and will reduce the balance of cumulative results of operations. See Note 8 for the composition of liabilities not covered by budgetary resources.

Note 13 – Budgetary Resources

Budgetary resources available to CPSC in fiscal year 2018 include current year appropriations in the amount of $126,000,000, of which $1,100,000, is to implement the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) grant program as provided by section 1405 of Pub. L. No. 110-140 (15 U.S.C. 8004). Also, $1,518,464 of the $5,461,467 unobligated balance from prior year budget authority is available to implement the VGB Act grant program for a total available for the VGB Act grant program of $2,618,464.

Spending authority from offsetting collections are reimbursable revenue earned for goods and services that the CPSC provides to other agencies and the public. CPSC had $2,919,555 and $3,039,652 in spending authority as of September 30, 2018 and September 30, 2017, respectively. The CPSC recognizes reimbursable work agreement revenue when earned, (*i.e.*, goods have been delivered or services rendered). The relationships with the Centers for Disease Control and Prevention, National Institute for Occupational Safety and Health, and National Highway Traffic Safety Administration represent the majority of these agreements that fund national injury data collection and estimation.

The net adjustments to unobligated balances brought forward line is an update to the SBR via OMB Circular No. A-136, revised July 30, 2018. This balance represents recoveries unpaid and paid, and balances withdrawn to Treasury in the amounts of $1,158,539 and $1,261,853 as of September 30, 2018 and September 2017, respectively.

The status of budgetary resources is comprised of new obligations and upward adjustments for obligations incurred of $129,130,312 and unobligated balances as of September 30, 2018 of $5,250,709. The unobligated balances as of September 30, 2018 are comprised of apportioned, unexpired funds; unapportioned, unexpired funds; and expired unobligated balances. The unobligated balance, apportioned consists of unexpired VGB Act grant funds in the amount of $1,531,049, and fiscal year 2018 unobligated appropriations of $126,645 for a total of $1,657,695. The unobligated balance, unapportioned consists of unexpired trust fund receipt account for gifts and donations of $18,953 and expired unobligated balances of $3,574,062 from the prior years.

A comparison of the CPSC's fiscal year 2017 SBR with the corresponding information presented in the fiscal year 2019 President's Budget is:

	Budgetary Resources	Obligations Incurred
Fiscal Year 2017 Statement of Budgetary Resources	$ 135,342,023	$ 128,722,017
Unobligated balances, beginning of year - (fund activity on expired accounts)	(7,564,224)	
Recovery of prior year unpaid obligations	(1,555,642)	

Obligations incurred - expired years		(571,045)
Permanently not available - (fund activity on expired accounts)	2,840,111	
Other - rounding in President's Budget	937,732	(150,972)
2019 Presidents Budget - Fiscal Year 2017, actual	$ 130,000,000	$ 128,000,000

The fiscal year 2020 President's Budget will not be published prior to February 2019. Accordingly, a comparison between the fiscal year 2018 data reflected on the SBR and fiscal year 2018 data in the President's Budget cannot be performed. The Budget with the actual amount for FY 2018 will be available at a later date at https://www.whitehouse.gov/omb/budget.

CPSC's apportionments fall under three Categories: Direct Category A, quarterly apportionment for salaries and expenses; Direct Category B, restricted and activity apportionment for the VGB Act grant program; and Reimbursable Category B, restricted and activity apportionment for reimbursable activities. Apportionment categories of obligations incurred for the fiscal years ending September 30, 2018 and September 30, 2017 are:

	2018	2017
Direct:		
Category A	$ 125,073,530	$ 125,632,995
Category B	1,087,415	-
Reimbursable:		
Category A	$ -	$ -
Category B	2,969,367	3,089,022
Total Obligations incurred	$ 129,130,312	$ 128,722,017

Note 14 – Undelivered Orders

The amount of budgetary resources obligated for orders undelivered as of September 30, 2018 and September 30, 2017 are:

	2018	2017
Intragovernmental, Undelivered Orders Unpaid	$ 6,034,389	$ 7,144,216
Public, Undelivered Orders Unpaid	19,916,519	22,737,667
Intragovernmental, Undelivered Orders Paid	$ 1,234,021	1,147,007
Public, Undelivered Orders Paid	-	443
Total Undelivered Orders	$ 27,184,929	$ 31,029,333

Note 15 – Reconciliation of Net Cost of Operations to Budget

Details of the relationship between budgetary resources obligated and the net cost of operations for the fiscal years ending September 30, 2018 and September 30, 2017 are:

	2018	2017
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	$ 129,130,312	$ 128,722,017
Less: Spending Authority from Offsetting Collections and Recoveries	3,637,168	4,617,910
Net Obligations	125,493,144	124,104,107
Imputed Financing from Cost Absorbed by Others	4,708,305	3,386,452
Total Resources Used to Finance Activities	**130,201,449**	**127,490,559**
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	3,844,148	(381,953)
Budgetary Offsetting Collections that do not Affect Net Cost of Operations	373,613	(76,376)
Resources that Finance the Acquisition of Assets Capitalized	(2,426,606)	(1,870,179)
Net Decrease in Other Liability – Tenant Improvement Allowance	(441,218)	(468,616)
Net Decrease in Receivables not Generating Resources until Collected	214,545	(174)
Other resources or adjustments to net obligated resources that do not affect net cost of operations	-	6,000
Total Resources Used to Finance Items not Part of the Net Cost of Operations	**1,564,482**	**(2,791,298)**
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Costs that will be Funded by Resources in Future Periods	124,337	118,935
Change in Unfunded FECA Liability	(335,852)	(185,502)
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(211,515)	(66,567)

Components not Requiring or Generating Resources in the Current Period		
Depreciation and Amortization	5,826,980	5,555,834
Revaluation of assets or Liabilities	15,488	4,365
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	5,842,468	5,560,199
Will Not Require or Generate Resources in the Current Period	**5,630,953**	**5,493,632**
Net Cost (Income) from Operations	**$ 137,396,884**	**$ 130,192,893**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

U.S. Consumer Product Safety Commission
Combining Statements of Budgetary Resources by Fund
For the Period Ended September 30, 2018 and 2017
(in dollars)

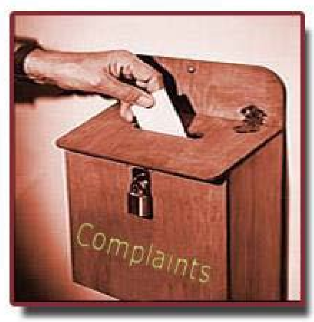
	Salaries and Expenses and Other Funds	Gift Fund	Total
Budgetary Resources			
Unobligated balance from prior year budget authority, net	$ 5,442,514	$ 18,953	$ 5,461,467
Appropriations	126,000,000	-	126,000,000
Spending authority from offsetting collections	2,919,555	-	2,919,555
Total Budgetary Resources (Note 13)	134,362,069	18,953	134,381,022
Memorandum (non-add) Entries:			
Net Adjustments to unobligated balances brought forward, October 1	(1,158,539)	-	(1,158,539)
Status of Budgetary Resources			
New Obligations and Upward Adjustments (Note 13)	129,130,312	-	129,130,312
Unobligated balance, end of year:			
Apportioned, unexpired	1,657,695	-	1,657,695
Unapportioned, unexpired	3,574,062	18,953	3,593,015
Total unobligated balance, end of year	5,231,757	18,953	5,250,710
Total Status of Budgetary Resources	134,362,069	18,953	134,381,022
Outlay, Net			
Outlays, net	128,429,278	-	128,429,278
Distributed offsetting receipts	(11,633)	-	(11,633)
Agency Outlays, net	$128,417,645	$ -	$ 128,417,645

Contact Us

If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving CPSC's programs and operations, please contact the CPSC Office of Inspector General.

Call:

Inspector General's HOTLINE: 301-504-7906
Or: 1-866-230-6229



Click here for complaint form.

Click here for CPSC OIG website.

Or Write:

Office of Inspector General
Consumer Product Safety Commission
4330 East-West Highway, Room 702
Bethesda MD 20814